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THE WHITE HOUSE  
WASHINGTON

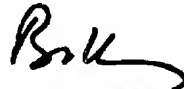
July 21, 1954

MEMORANDUM FOR THE DIRECTOR OF CENTRAL INTELLIGENCE

While overseas, I read in LOOK MAGAZINE the attached article by K. C. Wu, former Governor of Formosa, on "Your Money has built a police state in Formosa". It was shocking reading.

To what extent can reliance be placed on Mr. Wu? One is aware of the internecine warfare in all foreign countries. Yet, the charges made in this article, if partly valid, are very disturbing: the police state; Chiang's son with a Moscow background, etc.

Are you concerned by this?

  
ROBERT CUTLER  
Special Assistant  
to the President

Attachment -

Your money has built  
a police state in

# FORMOSA

*A former top associate of Chiang Kai-shek says the Gimo  
has abdicated his powers to his oldest son,  
who is turning Formosa into a communist-type state*

By K. C. WU FORMER GOVERNOR OF FORM

THE true situation in Formosa today is a tra  
story few Americans have been told.

It is a story I know, because for three ye  
as its governor, I fought to make Formosa de  
ocratic—and lost.

You, the American people, should know  
story, because you are supplying three four  
of the money spent by the Chinese Nationa  
Government on Formosa. I owe it to you as w  
as to my own countrymen to speak out ab  
what has happened.

Americans have been assured that a den  
cratic way of life has been established on  
beautiful and strategic island of Formosa. Y  
have been told that an army of half a million  
more men is not only eager to attack but als  
serving as a threat on the flank of Commur  
China, should she commit her huge armies  
an invasion of Southeast Asia. You have be  
led to believe that Formosa today is the inspi  
tion, the hope and the spiritual home of fi  
Chinese all over the world, a strong link in  
chain of your Pacific defenses and a stalw  
base from which a counter-assault may so  
contin

OSA continued



Chiang Kai-shek



Chiang Ching-kuo

man who seems to rule and the man who actually does

Generalissimo Chiang Kai-shek, the author says, has delegated most of his powers to his 45-year-old son, Chiang Ching-kuo. The young Chiang was married to a Communist Russian and lived 14 years in the Soviet Union. He "received thorough instruction in the Communist state. He has proved to be a dangerously adept student." Today, Wu asserts, Chiang Ching-kuo has control over the army, the Kuomintang and the secret police.



Off Red-held mainland, Formosa could launch only a "suicidal"

"The fighting forces on Formosa today simply are not effective. Unleashing

may be launched to free the Chinese mainland from its Communist oppressors.

How I wish I could tell you that all these assertions are true. But they are not. The sad part of the story is that at one time in the past they were actually becoming true, and at some time in the future, if proper action is taken, they may yet become true. But just now they are not.

For Formosa has been perverted into a police state, not unlike that of Red China, its professed adversary. Though Generalissimo Chiang Kai-shek is still the supreme ruler of the land, he has made his son, Chiang Ching-kuo, his heir and successor and has delegated most of his powers to him.

This first-born son, a man of 45, the child, not of Madame Soong Chiang, but of the Generalissimo's first wife, is married to a Communist Russian woman. He himself spent 14 of his adult years before World War II in the U.S.S.R., and there received thorough instruction in the organization and administration of the Communist state. He has proved to be a dangerously adept student. Today, he has virtual control over the ruling Kuomintang party; he has complete control over the army and seeks to make it entirely a personal instrument of power; as head of the secret police, he is fast building up a regime that in many ways follows exactly the pattern of a Communist government; he has even organized a Youth Corps modeled after the Hitler Youth and the Communist Youth.

Even when I was in Formosa, many people expressed doubt as to where his real affiliations lay—with the Communists or with the free nations. Personally, I am inclined to believe that he is only propelled by his own overweening ambition and that he has pursued the Com-

munist ways of government because he knows no better. But who can be sure? Who can guarantee that, in the event of the death of the Generalissimo, Chiang Kai-shek, and an attractive offer from the mainland, he may not turn Formosa into a rich province of Red China?

Whatever may eventually happen, what is happening to Formosa cannot be condoned as you may condone Tito or the Czechs. In those cases, you made the decision to get along with them on your eyes open. Formosa is different. You are being deceived by supplying 300 million of the 400 million dollars (U. S.) in the Formosan budget to create a totalitarian state. It is not even enough to do so. For the fighting forces on Formosa today simply are not effective. Unleashing them to attack Red China would not be a gamble, it might be suicide on our part. It might destroy any hopes of liberating the mainland.

#### U. S. Should Seek Reforms on Formosa

The realization of this was what finally caused me to break with Chiang Kai-shek's regime. That does not mean that I have intentions to wreck his government. I only want it to adopt the reforms that it so sorely needs.

Nor do I think that it is in the interest of the American people to withdraw your support of Formosa. I only want you to see that it is used to a good purpose and that Formosa is forgotten as a truly effective weapon against communism.

The situation that prevails in Formosa in the meantime has been keenly and personally felt by me while I was there. I have fought hard against it, but I lost.

It was on December 21, 1949, at the most critical hour



soldiers of Chinese Nationalist army look happy. But author says troops have been "demoralized" by commissar system Chiang Kai-shek's son has set up.

## Red China might destroy forever any hopes of liberating the mainland"

When the Communists were overrunning the last Nationalist on the mainland, that I was appointed governor of Formosa. In October, 1950, when the Chinese Communists entered the Korean War, I had practically a free hand in carrying out my policy to bring democracy to the island. The only order Chiang Kai-shek gave me in that period was to raise 42 million Taiwan dollars (U. S. \$8,400,000) every month to pay the troops, and the rest was entirely to me.

The task was not easy. A Communist invasion of Formosa appeared imminent that my wife and I bought cyanide capsules to use for any eventuality. There was also widespread discontent on the island. The Formosans, who are Chinese by race, had been ruled by Japanese rule for 50 years when the mainlanders took over after World War II. The new rulers got a joyful welcome. But Chiang Kai-shek's first military governor, General Chen Yi, whose rule did not last long. Corruption, tyranny and, finally, in 1949, a terrible massacre left the Formosans stunned and estranged. The errors who succeeded Chen Yi did little to heal the breach. There was hardly any American aid to speak of. The local note was increased 14-fold in the previous seven months, so that the cost of living was almost beyond control. Hordes of refugees from the mainland were streaming over and had to be resettled. The number of refugees swollen by evacuated forces, rose from 30,000 to 450,000 in 1949 to 600,000—on an island of 8 million people. The unjust rule was bleeding some sections of the population and leaving the rest almost untouched; the government's income was desperately inadequate.

I had to get things done rapidly if the government was to survive.

First of all, we needed money for government expenditures and to meet the payment of the troops.

To raise funds, I ordered the quick sale of some 20,000 confiscated Japanese houses at about 70 per cent of their assessed value. Another move was the sale of "Liberty Bonds" for the rich and small-denomination savings for the poor. The houses sold quickly, and, to dispose of the bonds, never exactly popular with the Chinese, I used a firmly persuasive approach instead of compulsion. With those measures, we moved toward immediate solvency.

I also adopted a long-range plan to carry out basic tax reforms. When I arrived, 70 per cent of all taxes were coming from the farmers; when I left, they were paying only 8 per cent of the total revenue. Tax returns for 1950 were 600 per cent greater than 1949.

### Generals Would Pad Troops' Payroll

With the revenue we got, I paid the soldiers promptly and regularly twice each month—a procedure unknown to the Chinese armies on the mainland. The troops had been demoralized on the mainland because the generals had had the habit of padding their payrolls and failing to pay the soldiers.

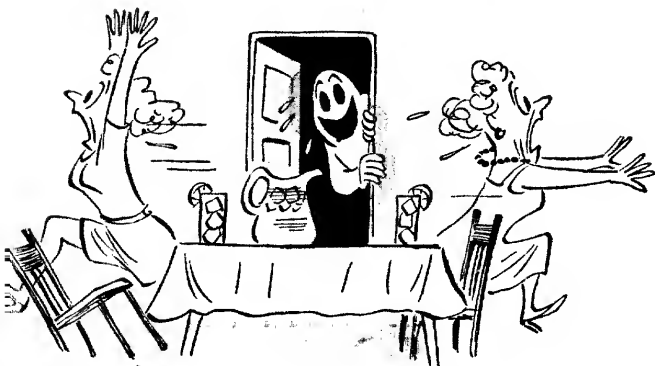
But most of all my heart was set on the fundamental reforms I thought were so necessary to make Formosa the rallying point of all the enlightened forces of China in the hopes of liberating the mainland from the Communists. I aimed to heal the breach between the Formosans and the mainlanders in order to forge them into a solid unit against communism. What I planned to do was to give our government truly popular support.

With that purpose, I reorganized the cabinet of the provincial

continued



FORMOSA continued



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"My democratic measures were  
by Chiang as bait to get U. S. mo

government, appointing Formosans to 17 of the 23 cabinet I carried out land reforms, started by my immediate predecessor went on to provide ownership by tenant farmers. I also set up a system of security insurance for labor.

Besides taking those steps, I laid special emphasis on two—the rule of law and democratic government through free elections.

We have always had a secret police operating under the Gimo. I knew that we had to do everything to prevent and dig out communist infiltration. But I also knew the abuses of our secret police. They would arrest people employed in the island's Department of Finance without warrants and without even the finance commissioner's knowledge. They did not even make sure on every occasion they had the right man. They would enter an office, revolve the hand, say to a frightened man behind a desk, "Are you Wang drag him away. I used to get such prisoners released, and by the end of 1950 I even got an order from the Gimo that arrests of civil servants must be made only with warrants from my civil police.

I also introduced and got a law providing for free elections for mayors and magistrates and of city and district councils. We divided the elections into three stages, first the east coast, then the central area and last the west coast.

#### Morale Rises, Then Gets a Jolt

The first free elections in all Chinese history were held in 1950, on the east coast of Formosa. Anyone who was an eye-witness to those elections must have shed his last suspicion that Orientals were not fit for democracy and did not care for it. Over 90 percent of the people enthusiastically went to the polls.

As morale in the army and among the civilian population rose, the risk of a Communist invasion diminished. United States and other visitors were impressed and pleased, and more American aid came. Although I knew that the old-line politicians were jealous, I believed I had the full support of Chiang Kai-shek, and the Gimo was too confident and too busy to worry.

Then, in October 1950, the Chinese Reds intervened in the Korean War, and the atmosphere began to change. Until that time, the Gimo's objective, I now sadly perceive, had been to secure American money and American support. I was used as a façade, and my promises for democratization were mere bait. When he came to realize that by force of circumstances he had become indispensable to the United States, he began to listen more and more to the persuasion of his sons, with the sole purpose of perpetuating his, or their, rule.

The first signs of trouble came when the elections in the central area of the island were about to take place. Elections were under the general supervision of my commissioner of civil affairs, an independent Formosan not connected with the Kuomintang party. Leading candidates for mayor in two principal cities also were independent Formosans. It looked as though the Kuomintang candidates were going to be defeated. The party therefore appealed to the Gimo to intervene, and he sent me a secret written order for me to dismiss my commissioner and to coerce the independent Formosans into retiring from the race. I had to offer Chiang Kai-shek my resignation before he would rescind his order.

This cleared the decks for a free election that time, but at that time the party perfected its machinery of manipulation. The secret police as its instrument of execution. The later elections on the west coast, I must confess, were far from free.

But I continued to try to remedy this evil. I recommended the party cease to be financed by government funds. I urged that opposition be allowed, even encouraged, or at least, as in Taiwan, that the one official party be permitted to split into two parties. The Gimo would not agree. When the Seventh Kuomintang Conference convened in the summer of 1952, he himself handled all the delegates, three quarters of them his son's stooges. And at the election of the party's Central Executive Committee, he I



William F. Knowland gets in a huddle with Chiang's officers on visit to Taiwan. Author says VIP's get idea "everything is sweetness and light."

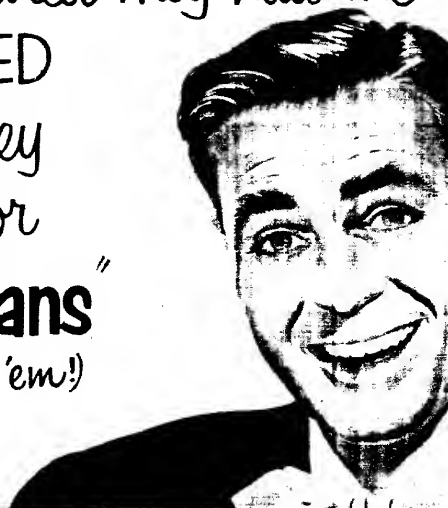
out a list of candidates and even required all of the ballots counted!  
 was in the fall of 1950, too, that I became aware that the son, Chiang Ching-kuo, was the real head of the secret police. At that time, I had thought he was officially only the head of the Political Department of the Ministry of Defense, appointed by Chiang in March, 1950. But I did not know, as I learned later, that the headquarters of the secret police is in the President's office—and the President, of course, is the President. The man who really ran the show was, and is, Chiang Ching-kuo. Usually he stayed behind the scenes, the hatchet man he generally employed during my time was Meng-chi, deputy commander of the Peace Preservation Corps. Thus the tentacles of Chiang Ching-kuo's control spread and reached over all of the government.

#### Chiang's Son Reveals His True Role

Chiang Ching-kuo moved personally into my field of vision in the form of the Taiwan Match Company. The chairman of the board was known to have financed a movie, *Forty Years of China*, in which he was presented in a light something less than effulgent. Accusations were made against the chairman that he had made a deal with the Communists. After the evacuation of the mainland, he had gone to the British colony of Hong Kong; the next day he was in the company, who was in Formosa, was the general manager. An honest businessman with no political affiliations, who had been in Hong Kong since the mainland was evacuated. Never did I hear one day that he had been jailed.  
 Then I ordered him released for lack of evidence against him, and Chiang Ching-kuo himself came to my office frankly in his position as head of the secret police. He was accompanied by his hatchet man Meng-chi. All subterfuges were tossed to the winds. Even the rule of law was ignored. Chiang Ching-kuo said that was the Gimo's wish that the manager be shot and the rich Match Company confiscated.  
 When I could not agree to that, the case was transferred to a court. I then wrote the Gimo himself, protesting the ill-considered injustice of the arrest. I got no direct reply, but the Gimo's secretary told me to say that the general manager would not be merely sentenced to seven years' imprisonment.  
 More and more arrests and convictions of that kind took place, without sufficient evidence and without semblance of a fair trial. Assurance to which I had made the Gimo agree before—no arrest without a warrant from my civil police—I found inadequate to cope

continued

They figured they had me  
**STUMPED**  
 when they  
 asked for  
**Manhattans**  
 (but I showed 'em!)



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# BETTER THAN BEER ?

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FORMOSA continued



can it be?



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and see!

an open bottle and  
wind—judge this  
"light-hearted"  
yourself. Like the  
who have turned  
Carling's Red Cap  
I find it "light"  
smoothest beer,  
"arty" as only true  
be. Is it better  
beer? Only your  
taste can decide.  
So, open a bottle  
Carling's and see!



**CARLING'S ALE**

BREWING COMPANY, CLEVELAND, OHIO



Formosa children learn how to read, write. Educational program flourished, author says, until Red-type Youth Corps was established.



Nationalist troops like these putting on a training show. K. C. Wu writes, "hate the commissars, and feel helpless against them."

## "A program is under way to cont

with the situation. It only kept me posted on the arrests that been made. But I had no say about the trials. As Formosa had declared under a state of siege, all cases of any nature were military courts for trial. These courts always met in secret, counsel was allowed defendants. So, finally, in January, 1952, to the Gimo to complain about the outrages of the secret police the mockery of the military courts. I proposed that all criminals except those involving communism and espionage be sent to courts, not military courts, for trial, and that counsel for defense be allowed in the military courts.

The Gimo showed reluctance to accept the proposals. I offered my resignation. I had never yet complained directly about his son, but now I decided I must. I said:

"If you love your son, do not have him as head of the police. He will become the target of the people's hatred."

Although I spoke quietly and earnestly, the Gimo was aback. He walked over to the mantelpiece and rested his head on his hand. "Don't talk to me like that," he said, "I have a head."

I never had to come to grips with the Gimo's son in his ining control of the army, for that was out of my bailiwick. I could fail to know what was going on, however, because I had been in the troops. That task was taken away from me in 1951, but in contact with the army, as it was quartered in my province, was intense. Moreover, my outspoken advocacy of democratic methods was known. So everywhere I went, officers and enlisted men of both land and navy would pour out their hearts to me in private.

The Political Department of the Ministry of Defense, which young Chiang headed, was originally set up to instill anticommunism and uplift the troops' morale. But as soon as Chiang Ching-kuo took office, he began to develop it into a system of political control after that of the Soviet. The result has been that there are two types of officers—ordinary service officers and political officers, separately trained and controlled. This is demoralizing and confusing in working against the sound principle of "the direct chain of command." To make matters worse, all promotions are by the Gimo on the recommendation of Ching-kuo. I know many cases of commanders who were demoted, discharged and even imprisoned because they could not get along with Ching-kuo's agents.

### Troops' Feelings Don't Match Show

The outward appearance of the troops is good enough. If a visitor who sees them once or twice, they seem well fed, well clothed and ready to go. VIP's always get a big show, with live bullets, which is very impressive. It is always more or less the same, but it seems to compare notes. But the troops' feelings don't match the show. They hate the political commissars and feel helpless against them. They seem to be a splendid body without a soul.

Some of the middle-class officers, intelligent, patriotic and formerly anti-Communist, even went so far as to tell me separately in almost identical words, "If fight we must one day, we shall kill the political agents first!"

Only real insiders know this because Chiang Ching-kuo's Political Department has devised slick and practically foolproof methods of creating the illusion that all is sweetness and light.

The dictatorial moves to establish a secret police and control the army, to rig elections and corrupt legal processes were in start. Today, a program is underway to control the minds and of youth and suppress freedom of speech and of the press.

Our schools made wonderful progress during my administration. The school population, ages 6 to 12, rose from 70 to 85 per cent of children on Formosa. We also made higher education available both to Formosans and mainlanders. At Taiwan University, we left, 70 per cent of the students were Formosans.

Then Chiang-kuo organized his Youth Corps. He ordered superintendents, professors and teachers to become officers and students enrolled as members. He ordered changes in the teaching staffs and the rules. We now have a Red version of the Hitler Youth.

There is no such thing as freedom of speech any more. Freedom of the press has become a farce. There may be an exception



## of youth and curb free speech"

weekly sponsored by Dr. Hu Shih, the philosopher and diplomat with his special eminence and international reputation. But he had many unpleasant experiences when he visited Formosa. Newspapers that annoy or offend Formosa's rulers are suspended publication, and reporters and writers have often been led. Formosa's newspapers now print only the party line. Taxpayers of both Formosa and the United States are paying to keep of the Youth Corps, the secret police, the Kuomintang and these other authoritarian instruments. They naturally do not at, for the expenses are spread around and disguised in the way that no outside budget expert can find them. For instance, the Ministry of Defense may have an item in its budget for "support of the press"—\$20,000,000." This may be raised to \$25,000,000, with millions going for unbudgeted activities. At the end of 1952, I was obliged to admit to myself that the rule of democracy I had been striving for was a lost cause. Because I still wanted to keep my government from getting publicity in the United States, I waited until after President Eisenhower's inauguration to send my resignation to the Gimo and with a heavy heart to leave Formosa. It was not easy. It is pleasant to admit failure, and it is with a special poignant sorrow one sees a lifetime's efforts defeated. I had to leave the way I had believed in and followed me.

### Threats and Then Violence

Gimo at first would not accept my resignation, and only after a month's "sick leave." Then he resorted to threats to sack me from my office. Shortly thereafter, there was a dastardly attack on my life and my wife's. It was evidently to the advantage of the regime in authority to have me either under close surveillance or to make me silent forever. After my resignation, I applied for passports for myself, and my son to come to America, my request at first was rejected by then I had received several invitations to speak in the states, and my alma mater, Grinnell College, in Iowa, had to confer an honorary LL.D. on me; I told the Gimo's emissaries I would have to tell the world that my passport was refused by my own government. That got me my passport. My wife got through the intercession of Madame Chiang. But the Gimo would not grant my son a passport, despite his being a minor, a boy in 1953, and despite my repeated requests since coming to the United States that he be allowed to join us here as a dependent (now that I am living in this country as a lecturer). It took a full year before my passport was finally issued. I lived in this country at the end of May, 1953. At first, I kept hope. I still hoped against hope that the rulers of Formosa would see the light and change their ways. It was useless. Last March, I broke with the Chiang regime. I got out of personal grievance and frustration that I finally was out of a sincere consideration for the larger issues at hand. Things are permitted to continue as they are in Formosa, but millions in aid are being wasted, but the hope of the Chinese recovering the mainland will be lost. No matter comes to the worst, both the United States and the world may awake one day and find that they cannot even deal with Formosa effectively against the onslaughts of communism.



A graduate of Grinnell College and of Princeton University, K. C. Wu served under Chiang Kai-shek as cabinet member, mayor of leading Chinese cities and his personal secretary, as well as governor of Formosa. He and his wife are both Christians. They have a home today in Evanston, Ill.

END



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